

CBO March 2004 Baseline: MEDICARE

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By fiscal year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
MEDICARE TOTALS:												
Mandatory Outlays (in billions of dollars) /1	\$274.2	\$296.7	\$321.8	\$372.9	\$422.4	\$451.9	\$483.2	\$518.8	\$562.3	\$595.6	\$650.8	\$705.6
Discretionary Outlays	<u>3.7</u>	<u>3.8</u>	<u>4.0</u>	<u>4.1</u>	<u>4.2</u>	<u>4.4</u>	<u>4.6</u>	<u>4.8</u>	<u>5.0</u>	<u>5.3</u>	<u>5.6</u>	<u>5.9</u>
Total Outlays	277.9	300.6	325.8	377.0	426.7	456.3	487.8	523.6	567.3	600.9	656.3	711.5
Total Offsetting Receipts /2	-28.4	-31.8	-36.7	-54.6	-63.6	-68.3	-73.5	-80.4	-87.7	-95.8	-105.0	-115.0
Net Outlays (Total Outlays - Receipts)	249.4	268.8	289.0	322.4	363.1	388.1	414.3	443.2	479.6	505.1	551.3	596.4
Net Mandatory Outlays (Mandatory Outlays - Receipts) /3	245.7	264.9	285.0	318.4	358.9	383.7	409.7	438.4	474.6	499.8	545.8	590.6
COMPONENTS OF MANDATORY OUTLAYS:												
Benefits (in billions of dollars)												
Part A	\$151.0	\$164.3	\$176.6	\$179.9	\$192.1	\$203.4	\$215.8	\$229.0	\$245.7	\$255.3	\$275.2	\$293.7
Part B	121.6	130.3	142.0	144.7	154.0	162.7	173.8	186.9	204.3	215.9	237.1	257.2
Part D	<u>0.0</u>	<u>0.1</u>	<u>0.5</u>	<u>46.8</u>	<u>74.8</u>	<u>84.2</u>	<u>92.0</u>	<u>101.3</u>	<u>110.6</u>	<u>122.8</u>	<u>136.8</u>	<u>153.0</u>
Total	272.6	294.7	319.2	371.4	420.9	450.3	481.6	517.2	560.6	594.0	649.1	703.9
Administration /4	1.6	2.1	2.6	1.6	1.6	1.6	1.6	1.6	1.6	1.7	1.7	1.7
Total Mandatory Outlays	274.2	296.7	321.8	372.9	422.4	451.9	483.2	518.8	562.3	595.6	650.8	705.6
Annual Growth Rates:												
Mandatory Outlays	8.1%	8.2%	8.4%	15.9%	13.3%	7.0%	6.9%	7.4%	8.4%	5.9%	9.3%	8.4%
Discretionary Outlays	<u>18.0%</u>	<u>2.8%</u>	<u>3.8%</u>	<u>2.7%</u>	<u>3.5%</u>	<u>4.3%</u>	<u>4.5%</u>	<u>4.4%</u>	<u>4.6%</u>	<u>5.1%</u>	<u>5.4%</u>	<u>5.3%</u>
Total Outlays	8.2%	8.2%	8.4%	15.7%	13.2%	7.0%	6.9%	7.3%	8.3%	5.9%	9.2%	8.4%
Total Premium Receipts	9.4%	11.8%	15.5%	48.5%	16.6%	7.4%	7.7%	9.3%	9.1%	9.3%	9.6%	9.5%
Net Outlays (Total Outlays - Receipts)	8.1%	7.7%	7.5%	11.6%	12.6%	6.9%	6.7%	7.0%	8.2%	5.3%	9.2%	8.2%
Net Mandatory Outlays (Mandatory Outlays - Receipts)	7.9%	7.8%	7.6%	11.7%	12.7%	6.9%	6.8%	7.0%	8.2%	5.3%	9.2%	8.2%
Memorandum:												
Number of Capitation Payments /5	12	12	13	11	12	12	12	12	13	11	12	12
Mandatory Outlays, adjusted to reflect 12 capitation payments each year	\$274.2	\$296.7	\$318.0	\$376.7	\$422.4	\$451.9	\$483.2	\$518.8	\$556.9	\$601.0	\$650.8	\$705.6
Annual growth rate:	6.7%	8.2%	7.2%	18.5%	12.1%	7.0%	6.9%	7.4%	7.4%	7.9%	8.3%	8.4%

Notes:

- 1/ Average annual rate of growth of mandatory outlays from fiscal year 2004 through 2014 is 9.0 percent.
- 2/ Offsetting receipts include premiums and amounts either paid directly by states or withheld from Medicaid payments to states and transferred to Medicare.
- 3/ Average annual rate of growth of net mandatory outlays from fiscal year 2004 through 2014 is 8.3 percent.
- 4/ Mandatory outlays for administration in all years support quality improvement organizations and certain activities against fraud and abuse. Those outlays include grants to states for premium assistance during 2003 through 2005, spending in 2004 and 2005 for implementation of the prescription drug benefit and the Medicare Advantage program, and payments to Medicaid for the cost of determining whether beneficiaries are eligible for the low-income subsidy under Part D.
- 5/ In general, capitation payments to group plans for the month of October are accelerated into the preceding fiscal year when October 1st falls on a weekend. However, the Balanced Budget Act of 1997 requires that the October payment in 2006 will be made on October 2 instead of September 29.

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COMPONENTS OF BENEFITS PAYMENTS:												
Part A: Hospital Insurance (HI):												
Hospital Inpatient Care (in billions of dollars)	\$109.3	\$116.2	\$122.1	\$128.1	\$134.9	\$142.6	\$150.8	\$159.6	\$168.7	\$178.8	\$190.2	\$202.6
Skilled Nursing Facilities (Part A only)	13.8	14.6	15.5	15.2	15.8	16.8	17.8	18.9	20.1	21.3	22.6	24.0
Hospice	5.9	6.8	7.6	8.3	9.1	9.8	10.6	11.3	12.0	12.7	13.6	14.4
Home Health Transfer	-2.2	0	0	0	0	0	0	0	0	0	0	0
Part B: Supplementary Medical Insurance (SMI):												
Physician Fee Schedule	47.3	50.8	54.2	55.8	56.3	57.5	60.1	64.0	68.9	74.8	81.3	88.2
Other Professional & Outpatient Ancillary Services /1	22.9	24.7	25.5	27.3	29.7	32.1	34.6	37.4	40.5	44.1	48.2	52.7
Other Facilities /2	14.1	15.5	16.8	17.4	18.3	19.3	20.7	22.3	23.8	25.4	27.1	28.9
Hospital Outpatient PPS Services	13.0	14.6	16.1	17.6	19.4	21.5	23.6	25.8	28.2	30.6	33.4	36.4
Home Health Transfer	2.2	0	0	0	0	0	0	0	0	0	0	0
Parts A & B:												
Group Plans	36.3	40.4	48.5	41.5	47.7	50.1	53.1	56.6	65.7	59.1	68.9	73.8
Home Health Agencies	10.0	10.9	12.3	13.3	14.8	16.5	18.3	20.2	22.3	24.5	27.0	29.7
Part D: Prescription Drug Benefits												
Payments to Prescription Drug Plans	0	0	0	33.3	49.9	55.9	60.5	66.3	72.1	80.1	89.3	99.7
Payments to Union/Employer-sponsored Plans	0	0	0	4.7	6.8	7.5	8.3	9.3	10.3	11.5	12.6	14.3
Low-income Subsidy Payments /3	0	0.1	0.5	8.9	18.1	20.8	23.2	25.7	28.2	31.2	34.8	39.1
Total, Medicare Benefits	272.6	294.7	319.2	371.4	420.9	450.3	481.6	517.2	560.6	594.0	649.1	703.9
Memo: Medicare Benefits, adjusted to include 12 capitation payments each year	272.6	294.7	315.4	375.2	420.9	450.3	481.6	517.2	555.3	599.3	649.1	703.9

Notes:

- 1/ Includes durable medical equipment, independent and physician in-office laboratory services, ambulance services, and other services paid by carriers.
- 2/ Includes hospital outpatient non-PPS services, laboratory services in hospital outpatient departments, rural health clinic services, outpatient dialysis, and other services paid by fiscal intermediaries. Also includes payments to skilled nursing facilities for services covered under Part B.
- 3/ Includes spending for transitional assistance during 2004 through 2006.

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<i>By fiscal year</i>	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
ANNUAL GROWTH RATES FOR COMPONENTS OF BENEFITS PAYMENTS:												
Hospital Inpatient Care	6.6%	6.4%	5.0%	4.9%	5.3%	5.7%	5.8%	5.8%	5.7%	6.0%	6.4%	6.5%
Skilled Nursing Facilities (Part A only)	-3.4%	5.9%	6.1%	-2.1%	4.2%	5.9%	6.0%	6.2%	6.3%	6.1%	6.3%	6.1%
Hospice	30.2%	15.7%	11.6%	9.9%	9.6%	7.8%	7.3%	6.9%	6.3%	6.1%	6.3%	6.3%
Physician Fee Schedule	7.2%	7.4%	6.7%	2.9%	0.8%	2.1%	4.6%	6.4%	7.7%	8.6%	8.6%	8.5%
Other Professional & Outpatient Ancillary Services /1	19.2%	7.9%	3.1%	6.9%	8.8%	8.0%	8.0%	8.0%	8.3%	8.9%	9.3%	9.4%
Other Facilities /2	13.9%	10.0%	8.6%	3.4%	5.3%	5.5%	7.3%	7.3%	7.0%	6.6%	6.8%	6.8%
Hospital Outpatient PPS Services	14.9%	11.9%	10.6%	9.2%	10.5%	10.5%	9.8%	9.3%	9.3%	8.6%	9.3%	8.7%
Group Plans	7.3%	11.3%	20.1%	-14.5%	15.1%	4.9%	6.1%	6.5%	16.0%	-10.0%	16.7%	7.1%
Home Health Agencies	0.3%	8.7%	12.6%	8.4%	11.1%	11.5%	10.9%	10.5%	10.2%	10.0%	10.1%	10.4%
Subtotal, Medicare Part A and Part B Benefits	8.1%	8.1%	8.2%	1.8%	6.7%	5.8%	6.4%	6.8%	8.2%	4.7%	8.7%	7.5%
Prescription Drug Plans and Union/Employer-sponsored Plans					49.4%	11.8%	8.5%	9.9%	9.0%	11.1%	11.3%	11.8%
Low-income Subsidy /3					103.3%	15.4%	11.4%	10.7%	9.6%	10.8%	11.7%	12.2%
Subtotal, Part D Benefits					59.6%	12.7%	9.2%	10.1%	9.2%	11.0%	11.4%	11.9%
Total, Medicare Benefits	8.1%	8.1%	8.3%	16.4%	13.3%	7.0%	6.9%	7.4%	8.4%	6.0%	9.3%	8.4%
Memo: Medicare Benefits, adjusted to include 12 capitation payments each year												
Part A and Part B Benefits	6.7%	8.1%	6.9%	4.3%	5.4%	5.8%	6.4%	6.8%	6.9%	7.2%	7.5%	7.5%
Total Medicare Benefits	6.7%	8.1%	7.0%	19.0%	12.2%	7.0%	6.9%	7.4%	7.4%	7.9%	8.3%	8.4%

Notes:

- 1/ Includes durable medical equipment, independent and physician in-office laboratory services, ambulance services, and other services paid by carriers.
- 2/ Includes hospital outpatient non-PPS services, laboratory services in hospital outpatient departments, rural health clinic services, outpatient dialysis, and other services paid by fiscal intermediaries. Also includes payments to skilled nursing facilities for services covered under Part B.
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COMPARISON OF MEDICARE SPENDING AND DEDICATED FUNDING												
Total Medicare Outlays (billions of dollars)	\$278	\$301	\$326	\$377	\$427	\$456	\$488	\$524	\$567	\$601	\$656	\$711
Dedicated Medicare Financing Sources												
Part A (HI)	157.1	164.9	174.8	184.8	194.3	204.4	215.2	226.2	238.0	250.5	262.8	275.8
Part B (SMI)	26.8	30.0	34.9	37.8	39.4	41.3	44.1	47.6	51.5	55.9	60.6	65.7
Part D	0.0	0.0	0.0	14.8	21.9	24.3	26.3	28.7	31.1	34.2	37.8	41.9
Subtotal, Dedicated Medicare Financing Sources	183.9	194.9	209.7	237.5	255.7	270.1	285.6	302.5	320.5	340.6	361.2	383.3
General Revenue Medicare Funding	93.9	105.6	116.0	139.5	171.0	186.3	202.2	221.1	246.7	260.3	295.1	328.2
General Revenue Medicare Funding (percent of total outlays)	33.8%	35.1%	35.6%	37.0%	40.1%	40.8%	41.4%	42.2%	43.5%	43.3%	45.0%	46.1%
Excess General Revenue Medicare Funding (in percent)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1.1%
STATUS OF HOSPITAL INSURANCE TRUST FUND:												
HI Trust Fund Income (billions of dollars)												
Receipts (mostly payroll taxes)	\$161.1	\$169.0	\$179.1	\$189.1	\$198.8	\$209.1	\$220.1	\$231.3	\$243.3	\$256.0	\$268.4	\$281.6
Interest	14.8	16.1	16.8	17.7	19.1	20.3	21.5	22.7	23.9	24.8	26.0	26.7
Total Income	175.8	185.1	195.9	206.8	217.9	229.4	241.6	254.0	267.2	280.8	294.4	308.4
HI Trust Fund Outlays	153.8	167.3	179.7	183.0	195.3	206.7	219.2	232.5	249.3	259.1	279.1	297.7
HI Trust Fund Surplus (income minus outlays)	22.0	17.8	16.2	23.8	22.6	22.7	22.4	21.4	17.9	21.7	15.3	10.7
HI Trust Fund Balance (end of year)	251.1	268.9	285.1	308.9	331.5	354.1	376.6	398.0	415.9	437.6	452.9	463.6
COMPONENTS OF HOSPITAL INPATIENT PAYMENTS:												
Non-PPS Hospitals and Units of Hospitals	\$7.9	\$8.3	\$8.6	\$9.0	\$9.5	\$10.0	\$10.6	\$11.2	\$11.8	\$12.5	\$13.3	\$14.2
PPS Hospitals	101.4	108.0	113.5	119.1	125.4	132.6	140.2	148.4	156.9	166.2	176.9	188.4
Inpatient Capital /1	7.5	7.9	8.1	8.3	8.5	8.8	9.1	9.4	9.8	10.2	10.6	11.0
Disproportionate Share /2	6.8	7.6	8.0	8.4	8.9	9.4	10.0	10.6	11.2	11.9	12.7	13.5
Indirect Medical Education /2,3	6.1	7.1	7.2	7.4	7.5	8.1	8.6	9.1	9.7	10.3	11.0	11.7
Graduate Medical Education /1,3	1.9	1.9	2.0	2.0	2.0	2.0	2.1	2.1	2.2	2.2	2.3	2.3
PAYMENT UPDATES AND CHANGES IN PRICE INDEXES:												
Part A: (fiscal year)												
PPS Market Basket Increase	3.5%	3.4%	2.9%	3.1%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
PPS Update Factor	2.95%	3.4%	2.9%	3.1%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Part B: (calendar year)												
Physician Medicare Economic Index (MEI)	3.0%	3.1%	2.6%	1.8%	1.8%	2.1%	2.3%	2.3%	2.5%	2.4%	2.3%	2.4%
CPI-U	2.3%	1.6%	1.7%	2.0%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%

Notes:

- 1/ Included in Payments to Non-PPS Hospitals and Units of Hospitals and in Payments to PPS Hospitals.
- 2/ Included in Payments to PPS Hospitals. These payments include adjustments to both operating and capital-related prospective payments.
- 3/ Includes subsidies for medical education that are paid to hospitals that treat patients enrolled in Medicare+Choice plans.

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BENEFICIARY COST SHARING:												
Deductible (calendar year, in dollars)												
Part A (per hospital admission)	\$840	\$876	\$904	\$940	\$972	\$1,008	\$1,048	\$1,088	\$1,128	\$1,168	\$1,212	\$1,256
Part B (per year)	\$100	\$100	\$110	\$115	\$120	\$127	\$134	\$142	\$150	\$158	\$166	\$174
Part D (per year)	----	not applicable	----	\$250	\$275	\$301	\$324	\$352	\$378	\$409	\$444	\$483
Monthly Premium (calendar year, in dollars)												
Part A (for voluntary enrollees) /1	\$316	\$343	\$362	\$372	\$386	\$401	\$418	\$438	\$459	\$479	\$501	\$524
Part B /2	\$58.70	\$66.60	\$75.30	\$78.40	\$80.10	\$83.70	\$89.00	\$94.40	\$99.70	\$104.70	\$109.50	\$114.30
Part D (on average) /3	----	not applicable	----	\$35	\$37	\$41	\$43	\$47	\$49	\$54	\$58	\$62
Offsetting Receipts (fiscal year, in billions of dollars)												
Part A Premiums	-\$1.6	-\$1.8	-\$1.9	-\$1.9	-\$2.0	-\$2.1	-\$2.2	-\$2.3	-\$2.4	-\$2.6	-\$2.7	-\$2.8
Part B Premiums /4	-26.8	-30.0	-34.9	-37.8	-39.7	-41.9	-45.1	-49.4	-54.2	-59.0	-64.5	-70.3
Part D Premiums	0	0	0	-9.1	-12.8	-14.3	-15.5	-17.0	-18.5	-20.6	-22.9	-25.6
Transfer of Amounts Withheld from Medicaid Payments to States	0	0	0	-5.7	-9.1	-10.0	-10.8	-11.7	-12.6	-13.7	-14.9	-16.3
Federal Share of Premiums Paid by Medicaid (fiscal year, in billions)												
Part A	\$0.8	\$0.9	\$1.0	\$1.0	\$1.1	\$1.1	\$1.2	\$1.3	\$1.4	\$1.5	\$1.6	\$1.7
Part B	<u>2.4</u>	<u>2.8</u>	<u>3.2</u>	<u>3.5</u>	<u>3.7</u>	<u>3.9</u>	<u>4.2</u>	<u>4.6</u>	<u>5.0</u>	<u>5.5</u>	<u>5.9</u>	<u>6.4</u>
Total	3.3	3.7	4.2	4.5	4.7	5.0	5.4	5.9	6.4	6.9	7.5	8.1
ENROLLMENT:												
Part A (fiscal year, in millions)	40.3	40.8	41.4	42.0	42.6	43.4	44.3	45.2	46.1	47.3	48.7	50.0
Part B	38.3	38.7	39.2	39.8	40.4	41.2	42.0	42.8	43.7	44.9	46.2	47.5
Part D /5	----	not applicable	----	37.2	37.8	38.6	39.3	40.0	40.9	42.1	43.4	44.7
Part D Low-income Subsidy	----	not applicable	----	8.7	9.4	9.8	10.0	10.3	10.5	10.8	11.2	11.6
Part A Fee-for-service Enrollment	35.0	35.4	35.8	36.3	36.9	37.7	38.4	39.2	40.0	41.1	42.3	43.4
Group Plan Enrollment /6	5.3	5.4	5.6	5.7	5.7	5.8	5.9	6.0	6.1	6.3	6.4	6.6
Memo: Medicare+Choice or Medicare Advantage Enrollment	4.7	4.8	5.0	5.2	5.2	5.3	5.4	5.5	5.6	5.7	5.9	6.0
Share of Medicare Part A Enrollment:												
Fee-for-service	86.9%	86.8%	86.4%	86.4%	86.6%	86.7%	86.7%	86.7%	86.8%	86.8%	86.8%	86.9%
Group Plans /6	13.1%	13.2%	13.6%	13.6%	13.4%	13.3%	13.3%	13.3%	13.2%	13.2%	13.2%	13.1%
Growth in Enrollment:												
Total Medicare Enrollment (Part A)	1.1%	1.4%	1.4%	1.4%	1.6%	1.9%	2.0%	1.9%	2.1%	2.7%	2.9%	2.7%
Fee-for-service (Part A)	2.2%	1.2%	1.0%	1.4%	1.8%	2.0%	2.0%	1.9%	2.1%	2.7%	2.9%	2.7%
Group plans (Part A)	-5.5%	2.4%	4.2%	1.1%	0.1%	1.4%	1.9%	1.8%	2.0%	2.5%	2.7%	2.5%

Notes:

- 1/ Persons 65 and older are entitled to Part A coverage (they do not pay a monthly Part A premium) if they are eligible for Social Security or Railroad Retirement monthly cash benefits. Persons 65 and older who are not entitled may obtain Part A coverage by paying a monthly premium equal to the full actuarial cost of that coverage.
- 2/ Monthly premium for beneficiaries not subject to the income-related surcharge.
- 3/ The premium for prescription drug coverage will be based on the bid that each plan submits. Thus, premiums will vary across plans.
- 4/ Part B premium receipts include the income-related premium.
- 5/ Includes enrollees in qualified prescription drug plans and beneficiaries in qualified union-sponsored or employer-sponsored plans.
- 6/ Includes Medicare+Choice (through 2005), Medicare Advantage (after 2003), cost contracts, and demonstration contracts covering Medicare Parts A and B. Does not include Health Care Prepayment Plans (HCPPs), which cover Part B services only. Does not reflect effect of use of stabilization funds on enrollment in regional preferred provider organizations. The terms Medicare+Choice and Medicare Advantage may be used interchangeably during 2004 and 2005.